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BEFORE THE ARIZONA CORPORATION COMMISSION
Arizona Corporation Commission

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AZ CORP COMMISSION
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IN THE MATTER THE INVESTIGATION OF
THE COST OF TELECOMMUNICATIONS
ACCESS.

DOCKET NO. T-00000D-00-0672

RESPONSE TO STAFF'S INFORMATION REQUEST

Qwest Corporation, through counsel undersigned, hereby submit their Response to Staff's Information Request as follows:

INTRODUCTION

In September 2000, the Arizona Corporation Commission (hereinafter ACC or Commission) initiated an investigation into intrastate access charge reform. On December 3, 2001, the Commission issued a Procedural Order soliciting comments to questions that would be helpful in determining how to proceed with the investigation. Qwest appreciates the opportunity to provide the Commission with its position on these very important and complex issues.

Restructuring access is one vital step toward the broader policy goal of establishing appropriate economic pricing, at both the federal and state levels, for retail products and services, intra- and interstate access, unbundled network elements and interconnection. Appropriate economic pricing incents capital investment and drives market behavior that enhances competition, ultimately benefiting consumers.

The current patchwork of intercarrier compensation mechanisms, including access, are based on pre-divestiture and pre-Telecommunications Act regulatory schemes that no longer

further the policies of recent law or this Commission. They reflect and reinforce artificial distinctions among carriers, and create unavoidable opportunities for economically irrational, regulation-driven arbitrage.

As Qwest made clear in its intercarrier compensation comments currently pending before the Federal Communications Commission (FCC)¹, over the long term, the public policy goal for intercarrier compensation, including access, should be a simple, predictable, and market-oriented regime that applies to any hand-off of traffic on the public switched network. To that end, Qwest proposes a unified bill-and-keep regime for intercarrier compensation, under which each carrier would recover from its end users the costs of its own access facilities, including the costs of its loops and of the terminating switching function. Until we achieve that unified, simple, predictable, market-oriented regime, the FCC and state commissions should work symbiotically to support policies that move the industry further toward those broader goals. With the FCC's completion of an initial restructure of interstate access, through implementation of its *CALLS* Order², the timing is right for addressing access at the state level.

The following are Qwest's responses to the Commission's twenty-five questions:

¹ *In the Matter of Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92. See, Comments of Qwest Communications International, Inc. filed August 21, 2001 and Reply Comments of Qwest Communications International, Inc. filed November 5, 2001.

² Simply put, the so-called *CALLS* Plan instituted a transitional access restructure for larger ILECs by reducing interstate switched access and implementing an interstate end user subscriber line charge. That shifted revenue recovery from end users through toll charges to end users through flat rated monthly rates. See, *Access Charge Reform, Sixth Report and Order*, 15 FCC Rcd 12962 (2000) ("*CALLS* Order"). A similar transitional plan has been adopted for non-price cap LECs. See *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, Notice of Proposed Rulemaking*, 16 FCC Rcd 460 (2001).

STAFFS' INFORMATION REQUEST

1. Do you believe that the Commission ought to restructure access charges?

Please explain your response.

Yes. Qwest believes that access reform is a good and timely idea, but the manner in which it is accomplished is very important to the ongoing health of the telecommunications industry. The key to reasonable access reform will be to develop a strategy that is competitively neutral and conceptually consistent with the current interstate regime.

Rate restructuring will enhance the long-term health of the industry in both the long distance and local arenas. Lowering switched access rates will promote efficient competition in the long distance market because, inordinately high access rates cause some customers to seek direct connections to toll carriers. That means those customers remaining on the switched network are disadvantaged by less than optimum and efficient use of the network. Further, shifting revenue recovery to end users on a flat-rated basis more accurately represents the costs of providing local service and will encourage competition in the local service arena. Qwest envisions, for itself, a revenue neutral access restructure within "Basket 2," as that term is defined in Qwest's Price Cap Plan.

Rate restructuring will reduce arbitrage opportunities and drive market behavior that enhances efficient competition. Providers that offer better products at more attractive prices will prosper, while others may not realize the same success. The Commission and other policy makers should not predetermine which parties fall into which categories and should not provide any artificial help by this procedure.

2. What recommendation to the Commission would you make regarding how intrastate access charges should be reformed?

As stated in Response 001, Qwest envisions, for itself, a revenue neutral access restructure within "Basket 2," as that term is defined in Qwest's Price Cap Plan. A similar plan for CLEC and smaller ILECs would also be appropriate. Restructuring in that way will encourage all parties to focus on the issue of access reform and not complicate the process with tactics geared toward revenue protection. The Commission should take its lead from the FCC as to how aggressively it will act to shift revenues from access to other forms of recovery. Through implementation of the *CALLS* Plan, the FCC has taken initial steps to restructure interstate access by reducing interstate access to a composite rate for larger price-capped ILECs of approximately \$0.0055 per minute of use and implementing an end-user subscriber line charge. Similar movement by this Commission through a revenue neutral access restructure would certainly be a step in the right direction toward a more unified intercarrier compensation regime. The parties in this docket may have different equations for restructuring rates. For example, Qwest may be able to reduce switched access rates to FCC levels, and do so by increasing other service rates by only a few dollars per month or establishing one flat rate charge. Smaller ILECs may require more dramatic restructuring in order to reduce their intrastate access rates to similar levels. If these adjustments are extraordinary, then the impact should also be considered in the context of the separate universal service docket currently pending before this Commission.

3. Would you recommend the Commission address both switched and special access in an access charge reform proceeding? If your response is yes, please explain.

There is no need to address special access in this proceeding. Special Access is already subject to competitive pricing and market forces and is priced efficiently.

4. Parties who desire that switched access charges be reformed often state that switched access charges in general, and the CCL rate element in particular, contain implicit subsidies. Do you agree with this statement? Please provide an explanation of the rationale for your position, including any computations that you might have made.

The CCL rate element is a central component of the inefficient legacy rate structure of intrastate access. The CCL is inefficient because it recovers costs that are fixed and shared by the network through per-minute charges. An efficient rate structure would be designed so that costs are recovered in the manner in which they are incurred. Thus, the costs recovered through the CCL would more appropriately be recovered through a flat-rate per-line charge to end users. Further, the CCL is not sustainable as packet networks grow and eventually replace circuit-switched networks. While the appropriate unit of measure in the packet-switched world is not yet clear -- it could be based on total capacity, packets, or bits -- it will certainly not be minutes.

5. Can implicit subsidies be quantified?

It is possible to identify a service receiving a subsidy and to estimate the size of the subsidy received by that service, but such an exercise is not necessary in this case. The rate restructuring proposed herein does not rely on the assumption that any particular services are subsidized. It most certainly does not rely on the assumption of subsidies, as measured by any particular cost allocation methodology.

a. What is the appropriate cost standard to be used to determine whether access charges are free of implicit subsidies?

Typically, a service can be determined subsidy-free if it is priced above its direct costs. This and many other commissions use the cost standard of total service long run incremental cost ("TSLRIC"). Therefore, if all services are priced above that level, no subsidies

are present in the firm's pricing structure. Again, an examination of subsidies is not an exercise necessary to restructure access in this case

b. What cost standard is used to set interstate access charges? Is this cost standard appropriate for intrastate rates?

The FCC has historically used fully-distributed cost ("FDC") as a basis for interstate access charges. Even under price cap regulation, the underlying cost basis for the interstate rate structure has remained FDC. Most recently, however, the FCC's adoption of the *CALLS* Plan requires a composite interstate carrier access charge of approximately \$0.0055 per minute of use for the largest price cap ILECs. This rate is not based on FDC or any specific cost model, but rather a proposal that the FCC found reasonable.

With regard to the second question, FDC is not appropriate for use in intrastate access ratemaking. It has become outdated for telecommunications ratemaking in general, superseded by TSLRIC for individual services. Additionally, Qwest's intrastate access services are regulated under the Price Cap Plan ("Plan") in which switched access rates are to be reduced by \$5 million per year for each of the three years of the Plan. Any further actions to achieve parity with interstate rates must consider the provisions of the Plan. (See Qwest response to Q-018.) Finally, as parties before the FCC have done, parties in Arizona should be permitted to get together and recommend a combination of rates that satisfies criteria for efficiency and benefits all parties including consumers.

6. Do you believe that interexchange carrier switched access charges ought to exist? Please provide your rationale for your position on this matter.

Qwest's Bill and Keep proposal before the FCC would not eliminate switched access. It allows for the element of terminating transport charges (i.e., tandem and/or direct trunk

transport) should a carrier choose to purchase such from a LEC rather than self-provisioning that transport.

7. Please provide the following to assist in developing a rough estimate of the extent to which implicit subsidies exist in access charges assessed by Arizona local exchange companies.

a. What is your estimate of the implicit subsidies in access charges that exist on a statewide basis?

Qwest has not quantified the extent to which implicit subsidies may exist in Arizona access charges. Qwest has, however, focused on the inefficiencies in its own current rate structure. Given today's increasingly competitive market, a flat-rate charge to end users would be more efficient. (See Qwest response to Q-004.) Further actions to reduce Qwest's intrastate switched access rates, in addition to the reductions addressed in the Qwest Price Cap Plan, will require a competitively neutral "Basket 2" rate restructure in order to achieve more efficiency and to encourage the right market behavior. (See also, Qwest response to Q-018).

b. Please explain how that estimate was developed.

See Response to (a), above.

c. What is your estimate of the existing implicit subsidies that exist by local exchange company?

See Response to (a), above.

8. Should access charges be set at the same rates as unbundled network elements for the same network elements and functionalities? Please explain your response.

Ultimately, perhaps this is a reasonable goal. Until larger industry issues around inter-carrier compensation are resolved however, switched access should maintain its status as a

finished service. Unlike Unbundled Network Elements, switched access requires no expertise in developing network services. It is the equivalent of a retail service, offered in a fully supported way. UNEs are essentially wholesale services, offered to companies that build retail services out of these components. The FCC requires that the provision of local service is a prerequisite for the purchase of UNEs because UNEs have been established to encourage local competition. For those carriers not providing local services, fully finished services should continue to be purchased from switched access tariffs.

9. Your response to the following questions will assist the Commission in determining how to proceed with this case from a procedural perspective.

a. What procedure would you recommend be used to address switched access charge reform? For example, would you recommend a generic proceeding to address the issues in general with the objective being the reform, restructure and resetting of switched access charges for every LEC in the State?

The initial objective of this proceeding should not presume any particular outcome, e.g. the need to restructure rates for all LECs, without consideration of the CLECs' access charges. Qwest believes that a generic proceeding should be held which encompasses all telecommunications companies that assess switched access charges. The objective should be to establish access rates that encourage competition and allow the marketplace to determine the eventual winners and losers.

b. What issues do you believe should be addressed in a proceeding to determine whether and to what extent intrastate access charges ought to be reformed?

As stated previously, restructuring intrastate access is one vital step toward the broader goal of establishing appropriate economic pricing for retail products and services, intra-

and interstate access, unbundled network elements and interconnection and determining a rational universal service funding mechanism.

The Commission should adopt an access restructure plan that clearly moves toward the overall goal of more appropriate economic pricing, in general and toward the goal of establishing a unified intercarrier compensation regime for interstate access, intrastate access and local interconnection, more specifically.

The Commission should consider the concepts of, and timing with, the currently pending FCC Intercarrier Compensation Docket, as well as any potential impact on or from the currently pending state universal service fund and wholesale pricing proceedings.

c. Would you recommend that the Commission limit the initial switched access charge proceeding to the largest ILECs in Arizona? If your response is yes, please identify those companies that you believe should be included in this proceeding.

At this time there is no reason to limit the proceeding to the largest ILECs. No decisions have yet been made concerning the future of switched access charges and the potential impact on carriers of any size is still unknown. The Commission will be in a better position to determine how the smaller ILECs should be treated once it has concluded its initial examination of access charges.

d. Would you recommend that the Commission address access charges reform for large, intermediate and small local exchange companies (as defined in the Commission's Arizona Universal Service Fund rules) individually? Please explain.

Please see Qwest's response to 9c. There is no reason at this point in time to address access charge reform by industry segment. The Commission can decide following phase

1 of its investigation if it would make better sense to address large, intermediate, and small companies individually.

e. **Would you recommend that the proceeding address switched access charges assessed by CLECs and/or other telecommunications companies?**

Yes, the proceeding should initially include all segments of the industry.

f. **Given your vision of what the proceeding would address, how much time do you expect would be required to complete the proceeding?**

At this time, it is difficult to determine with any precision what type or how long of a proceeding will follow this initial comment period since the scope, issues to be addressed, and areas of contention have not yet been determined. Once the Commission determines the focus of this proceeding, the parties will be able to assess more accurately the type of proceeding and the level of formality necessary in order to ensure that all parties have a full and fair opportunity to participate in the process.

10. **For companies that provide access service, please provide the dollar amount of revenues from switched access charges that you received by rate element, by month, for the period July 1, 2000 through June 30, 2001.**

Please see Confidential Attachment "A"³.

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³ Qwest will provide Confidential Attachment A upon execution of the standard Protective Agreement by the respective intervenors and Staff.

11. For companies that purchase access service, please provide the dollar amount of the payments for switched access charges that you made (by company, rate element, and month if possible) for the period July 1, 2000 through June 30, 2001.

Confidential Attachment "B"⁴ contains data for intraLATA toll access charges paid by Qwest in the specified time period to Arizona Independent Local Exchange Carriers.

Please note that Confidential Attachment B includes access charge payment data by month (for the period specified), at the company level; but not by chargeable rate element.

12. Do you believe that it would be possible to eliminate the potential that local exchange service providers can exert monopoly power in the access service market by assessing the switching, transport and CCL charges on the end users rather than on interexchange carriers? Could customers then shop for local exchange service customers for the least cost provider of access in addition to local service, etc.?

While the questions posed are not entirely clear, Qwest believes the Commission is asking two things. First, if switching, transport and per minute-of-use carrier common line charges are assessed to end users, rather than interexchange carriers, does that eliminate the potential that a local exchange service provider could exert monopoly power in the access service market? Second, could end user customers then make choices regarding their local exchange provider based, in part, on the cost that provider assesses for access? As an initial matter, Qwest disagrees with the premise that a local exchange provider could exert monopoly power in the access service market. In response to the second question, Qwest believes that assessing these charges to end users could encourage competition in all sectors of the market by sending appropriate economic signals to the telecommunications providers. This increased

⁴ Qwest will provide Confidential Attachment B upon execution of the standard Protective Agreement by the respective intervenors and Staff

competition could provide end user consumers expanded competitive alternatives for their telecommunications needs. There are, however, practical issues that must be addressed should such a shift occur. For example, the CCL, which is currently assessed on a minutes-of-use basis, would need to be converted to a flat rated charge to more accurately reflect the manner in which the loop costs are incurred. In addition, should the Commission shift the costs as contemplated by this question, it must also consider how to assess the terminating usage portion of the access charge. Although customers have control over the minutes-of-use they originate, they do not have that same control over long distance terminating usage. The Commission must balance a recovery mechanism that is consistent with a bill-and-keep structure, yet that does not unduly burden end user customers who receive relatively few long distance calls. While these practical considerations must be addressed, Qwest nonetheless believes that such a change is a step in the right direction on the road of reforming all aspects of telecommunications pricing.

13. Do you believe that there is a difference in the costs of providing interstate switched access service versus intrastate-switched access service? In your response, please include a description of how costs are defined in your response and how those costs relate to costs allocated to the intrastate jurisdiction under the FCC's Separation rules.

The current FCC access structure does not rely on cost studies for the setting of rates. Therefore, the Company has not prepared interstate access cost studies for a number of years. However, because interstate and intrastate switched access both perform the same functions and use the same equipment, it is the Company's belief that the TSLRIC of interstate access service would be very similar to the cost of intrastate switched access service.

This answer is based on forward-looking cost studies. Separations is an allocation of embedded booked costs. Separations would take usage (traffic) sensitive book costs and allocate

them to jurisdictions based on relative usage (i.e., minutes-of-use). Traffic sensitive costs are allocated on usage, so all these costs are assumed to vary directly in proportion to usage (i.e., the Separations allocation assumes the cost of interstate and intrastate usage sensitive costs, like switching, are the same). Both Separations and forward-looking cost studies assume minutes-of-use costs are similar for inter- and intrastate services.

14. In the *CALLS* Decision, the FCC implemented changes that would eliminate carrier common line charges and establish an interstate universal service support mechanism. Do you believe that the Commission ought to address the Arizona Universal Service Fund mechanism concurrent with the reform of intrastate access charges?

Qwest does not believe that access and the AUSF must be reformed simultaneously, but the potential impacts of the access reform proceeding on the state universal service fund should not be ignored. Furthermore, any reform efforts must be competitively and technologically neutral.

15. The FCC released its Access Charge Reform Order ("MAG Order") for rate of return companies on November 8, 2001. Please comment on the extent to which you believe the ACC should adopt any components of the MAG order.

It is unclear whether this question asks if elements of the "MAG Order" should apply to all parties in this case or only to those affected by the MAG Order itself, which does not include Qwest. In general, the MAG Order reiterates much of the FCC's approach to access reform and Qwest agrees with much of the philosophy of this approach.

There are some specific portions of this order that should be noted. At least from Qwest's perspective, discussions of deaveraging and universal service should not be part of this

proceeding. Universal service issues certainly can be affected by access reform as can deaveraging. Total rate rebalancing should address these subjects, but attempting to address all of these topics in one proceeding would be very cumbersome and not necessary. For the most part, these are separate concepts that overlap in some areas. The areas of overlap can be addressed after the main directions for each of these policies has been established. This would be a step of fine tuning that could be investigated at a future time.

16. Should the Commission address CLEC access charges as part of this Docket?

Yes. See responses to 9(a) and 9(e).

17. Should additional considerations be taken into account when restructuring and/or setting access charges for small rural carriers? Please explain your response.

See response to No. 9(c) and No. 14. Any additional considerations for small rural carriers can be better determined once the Commission has concluded its initial examination of access charges.

18. What is the effect of Qwest's Price Cap Plan on the issues raised in this proceeding as they pertain to Qwest? With regard to Qwest, switched access is a Basket 2 service and special access is a basket 3 service. What impact does this have, if any, on restructuring access charges in this proceeding as it would pertain to Qwest?

Because the Qwest Price Cap Plan ("Plan") has already divided Qwest services into three baskets [Basic/Noncompetitive, Wholesale, and Competitive/Flexibly-Priced], the effect of a price change in a service in one of these baskets is limited to the other services in that same basket. There is no mechanism in this Plan that would allow an offsetting adjustment in the prices of services in one basket as a result of a price change of a service or services in another basket. There is a specific provision, however, tied to intrastate switched access rate reductions

in Basket 2. This is the result of a commitment by Qwest to reduce its intrastate switched access rates by \$5 million each year for the three years of the Plan. The price cap plan specifically permits Qwest additional flexibility in Basket 3 each year to correspond with the foregone switched access revenue in that same year. This provision does two things. First, it facilitates the reduction of intrastate switched access rates to achieve eventual parity with interstate switched access rates in the future. The Plan did not anticipate that parity would be achieved, however, within the 3 years of the Plan. Second, this provision recognizes that Qwest must be allowed an opportunity to earn the rate of return authorized by the Commission in Docket No. T-01051B-99-0105 and that any restructuring of rates must be done in a revenue neutral manner.

Restructuring intrastate access and mirroring interstate rates more rapidly than anticipated by the Price Cap Plan can be consistent with the Plan if it is treated as a revenue-neutral rate restructuring within Basket 2. These reductions could be offset, for example, by implementation of a per-line charge that would be assessed on all end-users who are served using Qwest's switched access service.

19. With regard to Qwest, what impact would Qwest receiving Section 271 authority have on the issues raised in this proceeding? Please explain your response.

Qwest's entry into the long distance market should have no impact on this proceeding. Section 272 of the Telecommunications Act calls for financial separation between Qwest's long distance organization and the rest of the business. Each of these organizations will be held to financial accounting standards and financial performance expectations.

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20. One of the stated objectives of the Qwest Price Cap Plan was to achieve parity between interstate and intrastate access charges. Is this something that should be looked at by the Commission in this proceeding?

Parity with FCC rates should be examined in this process. There are some issues however, that may present problems relating to specific rates and their underlying costs. The FCC operates under price cap regulation which allows pricing flexibility within a "basket" of services. Pricing is subject to change every year through a complex process of balancing rates, volumes, and productivity factors. This would be a costly process to introduce at the state level and it would not necessarily result in an exact match with FCC rates. The rate structure of the FCC tariff includes a charge for the EUCL. Any discussion of FCC rates also needs to include a discussion of the FCC structure. If the result of this proceeding establishes an intrastate Subscriber Line Charge then setting other rate elements at FCC levels would be more easily achieved.

21. Are there issues besides the rate restructuring and costing issues raised herein that should be addressed by the Commission in this Docket?

Again, restructuring intrastate access is one vital step toward the broader goal of establishing appropriate economic pricing for retail products and services, intra- and interstate access, unbundled network elements and interconnection and determining a rational universal service funding mechanism.

The Commission should adopt an access restructure plan that clearly moves toward the overall goal of more appropriate economic pricing in general, and toward the goal of establishing an unified intercarrier compensation regime for interstate access, intrastate access and local interconnection, more specifically.

The Commission should consider the concepts of, and timing with, the currently pending FCC Inter-carrier Compensation docket, as well as any potential impact on or from the currently pending state universal service fund and wholesale pricing proceedings.

22. Are there other State proceedings and/or decisions that you would recommend the Commission examine before it proceeds with this Docket? Please attach any relevant State commission decisions to your comments.

The Commission is currently addressing state universal funding issues in Docket No. RT 00000H-97-0137 and wholesale pricing in Docket No. T-00000A-00-0194. Consideration of the potential impacts and the timing between those pending dockets and this docket is critical to ensure outcomes that are consistent and that further the broader goals for more appropriate economic pricing, in general, and for increased parity of inter-carrier compensation rates, more specifically. It is Qwest's position that the dockets can reasonably proceed separately, taking into consideration the points outlined below.

The issue of access reform is often linked with the implementation of universal service funding. Some may advocate that the Commission should refrain from making a final decision on this matter until funding decisions for the state universal service fund are in place. Qwest believes the linkage between access reform and universal service fund implementation is largely dependent upon the nature and extent of the access reforms. Qwest envisions, as stated previously, that the necessary access reform can be conducted as a revenue-neutral rate restructure of "Basket 2" access services. In this way, it is feasible for the Commission to maintain a separate proceeding for the universal service funding docket.

The wholesale pricing docket is focused specifically on setting the appropriate local interconnection rates and resale discount(s) for wholesale products and services. It is reasonable

for that proceeding to continue separately as well, keeping a few thoughts in mind. The Commission should consider reconciling local interconnection rates with intrastate access at some point in the future, but not as part of the current wholesale pricing docket. Taking the larger leap to reconcile local interconnection with intrastate rates before the FCC has done so may not further the ultimate goal of establishing a unified intercarrier compensation regime and may, in fact, create further opportunity for regulatory arbitrage. The FCC has taken its initial step to restructure access, but has not produced a final decision on local interconnection.

When it does, it would be appropriate for this Commission to take action on local interconnection in a similar manner, with an ultimate goal to reconcile local interconnection with intrastate access. The FCC has announced its intention to reconcile local interconnection and interstate access after the current *CALLS* plan expires in 2005.

The access reductions addressed in Qwest's currently effective Price Cap Plan should be considered in this docket.

23. Please provide your recommendations for a procedural schedule in this case.

As stated in the response to 9(f), parties to this docket will be able to assess more accurately the type of proceeding and necessary time frames once the focus of this proceeding has been determined.

24. Please comment on the issues raised in Docket No. T-01051B-01-0391, In the Matter of Qwest Corporations' Tariff Filing to Introduce a new Rate Structure for an Access Service Used by Interexchange Carriers and their relationship to this Docket.

The issues raised in the tariff filed by Qwest in Docket No. T-01051B-01-0391 were associated with another piece of Qwest's overall effort to restructure its prices to accurately reflect the manner in which costs are incurred and to accurately assess those charges to the

entities actually using the services. In that docket, Qwest proposed separate rate elements for signaling messages. These signaling messages are transported over a separate signaling network and have specific and identifiable costs. Historically, these signaling costs have been included in the access charges paid by interexchange carriers. In today's increasingly competitive market, services that have specific and identifiable costs should be separately priced. While Qwest subsequently withdrew the tariff, it continues to believe the signaling issue is real and should eventually be addressed as part of the overall intercarrier compensation reform effort which Qwest believes could be addressed in a separate proceeding.

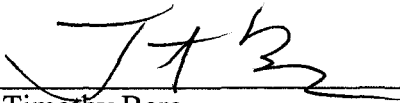
25. Please comment on any other issues you believe may be relevant to the Commission's examination of intrastate access charges.

There may be a number of competitors involved in this proceeding posturing to gain economic advantages. The Commission should approach this proceeding, at least initially, with the intention of restructuring current access rates. Further, the Commission should recognize the various regulatory frameworks under which ILECs provide both competitive and increasingly more-competitive service offerings. For example, Qwest's access services are subject to a Price Cap Plan, whereas, other ILECs remain regulated under rate-base rate-of-return.

The telecommunications industry is capital intensive and affected by many regulatory decisions. Part of the uncertainty confronted by potential competitors is the possibility of regulatory changes that will undermine an industry participant's ability to recover the costs associated with its investments. Continual regulatory adjustments introduce uncertainty and delay investment by competitors. The Commission will be most successful addressing access in a manner that promotes competition by taking distinct but infrequent steps in a well-defined direction.

DATED this 8th day of March, 2002.

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4 Triad Center, Ste. 200
Salt Lake City, UT 84180

Eschelon Telecom of Arizona, Inc.
730 Second Avenue South, Ste.1200
Minneapolis, MN 55402

Global Crossing Local Services, Inc.
180 South Clinton
Rochester, NY 14646

Global Crossing Telemanagement, Inc.
180 South Clinton
Rochester, NY 14646

Intermedia Communications, Inc.
One Intermedia Way
Tampa, FL 33647-1752

Jato Operating Corporation
6200 Syracuse Way, Ste. 200
Englewood, CA 80111

Level 3 Communications, LLC
1025 Eldorado Blvd.
Broomfield, CO 80021

Verizon Select Services Inc.
6665 MacArthur Blvd, HQK02D84
Irving, TX 75039

Winstar Wireless of Arizona
1577 Spring Hill Road, 2nd Fl.
Vienna, VA 22182

XO Arizona Inc.
3930 Watkins, Ste. 200
Phoenix, AZ 85034

Main Street Telephone Company
200 Ithan Creek Avenue
Villanova, PA 19085

Metropolitan Fiber Systems of Arizona, Inc.
201 Spear Street, 9th Floor
San Francisco, CA 94105

Mountain Telecommunications Inc.
2540 E. 6th Street
Tucson, AZ 85716

North County Communications Corporation
3802 Rosencrans, Ste. 485
San Diego, CA 92110

One Point Communications
Two Conway Park
150 Field Drive, Ste. 300
Lake Forest, IL 60045

RCN Telecom Services, Inc.
105 Carnegie Center
Princeton, NJ 08540

Reflex Communications, Inc.
83 South King Street, Ste. 106
Seattle, WA 98104

Rhythm Links, Inc.
9100 E. Mineral Circle
Englewood, CO 80112

Sprint Communications Company, L.P.
6860 W. 115th, MS:KSOPKD0105
Overland Park, KS 66211

TCG Phoenix
111 West Monroe St., Ste. 1201
Phoenix, AZ 85004

The Phone Company/Network Services of New Hope
6805 Route 202
New Hope, PA 18938

IG2, Inc.
80-02 Kew Garden Road, Ste. 5000
Kew Gardens, NY 11415

Independent Network Services Corp. (FN)
2600 N. Central Avenue, Ste. 1750
Phoenix, AZ 85004

360 Networks (USA) Inc.
12101 Airport Way
Broomfield, CO 80021

Allcom USA
2151 E. Convention Ctr Way, Ste. 207-A
Ontario, CA 91764-4483

Alliance Group Services, Inc.
1221 Post Road East
Westport, CT 06880

American Telephone Network, Inc.
2313 6th Avenue South
Birmingham, AL 35233

Archtel, Inc.
1800 West Park Drive, Ste. 250
Westborough, MA 01581

One Point Communications
Two Conway Park, #300
Lake Forest, IL 60045

Opex Communications, Inc.
500 E. Higgins Rd., Ste. 200
Elk Grove Village, IL 60007

Pac-West Telecomm, Inc.
1776 W. March Lane, #250
Stockton, CA 95207

RCN Telecom Services, Inc.
105 Carnegie Center
Princeton, NJ 08540

Special Accounts Billing Group
1523 Withorn Lane
Inverness, IL 60067

Teligent Services, Inc.
8065 Leesburg Pike, Ste. 400
Vienna VA 22182

Tess Communications, Inc
12050 Pecos Street, Ste. 300
Westminster, CO 80234

VYVX, LLC
One Williams Center, MD 29-1
Tulsa, OK 74172

Williams Local Network, Inc.
One Williams Center, MD 29-1
Tulsa, OK 74172

North County Communications Corporation
3802 Rosencrans, #485
San Diego, CA 92110

Net-Tel Corporation
11921 Freedom Drive
Reston, VA 20190

Nextlink Long Distance Svcs.
3930 E. Watkins, Ste. 200
Phoenix, AZ 85034

GST Net, Inc.
4001 Main Street
Vancouver, WA 98663

Communique Telecommunications, Inc.
4015 Guasti Road
Ontario, CA 91761

Enhanced Communications Network, Inc.
37 Winthrop Place
Hazlet, NJ 07730

Ernest Communications, Inc.
6475 Jimmy Carter Blvd., Ste. 300
Norcross, GA 30071

Single Billing Services, Inc.
9550 Flair Drive, Ste. 409
El Monte, CA 91731

Joan S. Burke
Osborne Maledon
2929 N. Central Ave., 21st Fl.
Phoenix, AZ 85067

Michael Patten
Roshka, Heyman & DeWulf
Two Arizona Center
400 Fifth Street, Ste. 100
Phoenix, AZ 85004

Touch America
130 N. Main Street
Butte, MT 59701

Western CLEC Corporation
3650 131st Avenue SE, Ste. 400
Bellevue, WA 98006

Main Street Telephone Company
200 Ithan Creek Avenue
Villanova, PA 19085